



# innovate

## INTRODUCTION

### INNOVATE 2015

The BTN Group's Innovate 2015 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about five of the biggest challenges facing corporate travel buyers and suppliers:

- Advancing Actionable Intelligence
- Alternative Payment Practices
- The Future of Travel Buying
- The Promise of A Unified Mobile Travel App
- Building A Better Distribution System

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2015. *Business Travel News* editors then recruited a group of leading business travel professionals to participate in independent task forces that could identify specific concerns and posit new ideas for moving the practice, the tools and the objectives of business travel management into the future. Think Tank sessions held during the Innovate 2015 Conference served to validate concerns and flesh out innovation concepts.

IN FOCUS FOR  
THIS PAPER  
**THE FUTURE  
OF BUSINESS  
TRAVEL BUYING**



# THE FUTURE OF BUSINESS TRAVEL BUYING

BY MICHAEL  
B. BAKER

## INNOVATE TASK FORCE

The Future of Business  
Travel Buying

### CO-CHAIRS:

Michael Baker,  
Senior Editor,  
Business Travel News

Jim Sisco, Director,  
Global Travel Services,  
Reed Elsevier

### MEMBERS:

Pat Batra, Chief,  
Global Travel, Aviation and  
General Services, UNICEF

Duane Goucher, Director,  
Transportation and Travel  
Expense, Allstate

Susan Lichtenstein, Director,  
Global Procurement  
Services, Cisco

Rosemary Maloney,  
Manager, Corporate  
Services, IAC

Jennifer Steinke, Corporate  
Travel Manager, ACT

The traditional travel buying process faces assault from a barrage of disruptors, including shifts to open-booking, emerging “sharing economy” platforms and new tools that can track both traveler behaviors and preferences as well as pricing volatility. Fortunately, as many buyers report both diminishing returns and increasing complexity to the traditional request-for-proposal process, some of these disruptors stand to bring welcome change to what can be an increasingly frustrating exercise.

### Changing the Buying Process

While the approach always will vary from program to program, for many travel buyers, the predominant model for air travel procurement, based on market share, is unsustainable. Consolidation has left the United States with three major legacy carriers, and even with such competitors as Southwest, Virgin America and JetBlue making gains in corporate business share, carriers have an ability to exercise capacity controls not seen in years.

Buyers, meanwhile, find themselves at a disadvantage when discussing marketshare progress with carriers, as the carrier data clashes with what buyers monitor either on their own or through their travel management company.

“Thousands of man hours are put into managing these deals, leading to awkward quarterly conversations when you don’t make market share,” a buyer said. “Depending on the time you have to manage a program, you might not know

that you couldn’t do a trip because the schedules didn’t work or there was a lift problem.”

This could become worse as the specter of open booking looms. With travelers increasingly finding reasons to book outside corporate booking tools and the global distribution systems, market share will become more difficult to measure. Plus, marketshare-based models provide no provisions for irregular operations.

“An analyst putting a deal together assumes 100 percent of flights are available,” one buyer said. “We have a seven-day advance policy, so a lot of regional jet flying occurs out of Chicago. With a lowest-logical airfare policy and regional jets competing with big jets, we have issues where we are forced to take non-preferred carriers. How do we level that?”

### Benefit Beyond The Buyer

Buyers would not be the only ones to ben-



## THE FUTURE OF BUSINESS TRAVEL BUYING

enefit from a model not reliant on market share. Carriers, after all, measure their own performance based on revenue goals, not on market share. What's more, airlines essentially assume all risk upfront in the current model, providing discounts in exchange for marketshare goals that might or might not be met. Some major U.S. carriers, in fact, have begun a push to revenue-based agreements already.

Revenue-based deals could follow various models. In one, buyers climb a ladder to rebates based upon how much they spend with a carrier. A program that spends \$1 million might get a \$50,000 rebate, while a program that spends \$2 million could get a \$125,000 rebate, for example. While buyers no longer would see a point-of-sale discount, this would relieve them of marketshare goals and concerns about which inventory buckets travelers are using. Additionally, buyers would get credit for ancillary spending with airlines, since that is a part of revenues.

While buyers no longer would see a point-of-sale discount, this would relieve them of marketshare goals and concerns about which inventory buckets travelers are using. Additionally, buyers would get credit for ancillary spending with airlines, since that is a part of revenues.

One challenge with this model would be how to spend that rebate, particularly for travel buyers managing across multiple departments or divisions. A solution might be to take at least part of the rebate in soft dollars—in the form of upgrades or frequent flyer status, for example.

Another model could be for buyers to prepay based on volume projections to get a rebate upfront. A buyer that provides \$10 million at

the beginning of a cycle, for example, could receive \$12 million in revenue to be used with that carrier. While such models exist in the form of small and medium enterprise programs—American Airlines' AirPass, for example—some companies could see advantages from bulk buys on a larger scale.

Of course, this would require solid metrics to determine appropriate buying levels, lest a company end up with excess credit at the end of the year, leading to more awkward conversations on how to extend it. It could be a viable option in particular for programs faced with high volumes in a market dominated by a single carrier, where point-of-sale discounts are scarce.

### Taking The Leap

The willingness to shift away from a market-share model seems to vary by airlines. Some buyers reported that certain major carriers have been resistant to the shift. Still, there seems to be a sense of inevitability to it, according to both buyers and suppliers. As such, buyers should start addressing it now so that they will have a say in what the model becomes.

"We're always waiting for what suppliers are going to do, but airlines want us to be empowered to make those decisions," a buyer said. "We can't drive change in this industry unless more buyers are willing to step up."

These implications also will spill out to other travel categories, particularly hotel. Some large-market buyers already have found success moving away from the traditional RFP and instead basing their program on chainwide discounts driven by the amount of revenue they spend with those chains. While this sort of model would seem to

## THE FUTURE OF BUSINESS TRAVEL BUYING

favor large-market buyers, it still brings advantages for smaller buyers as well, who often are finding it increasingly difficult to get competitive deals with easily accessible rates through the hotel RFP process.

“They’ll have to prove why they’re worth it,” a buyer said. “They can go regional, not global, and it’s the same principal. If they’re only staying at three hotels, they’re probably giving

them more money than a large-market buyer is.”

### Embracing Disruption

Many buyers are adopting an ostrich-in-the-sand approach to disruptive technology, particularly entrants in the “sharing economy,” including Uber, Lyft and Airbnb. It’s becoming a given, however, that

buyers will need to address these in their purchasing strategies.

Some buyers are setting up roadblocks to these services. One, for example, said company travelers are allowed to use Airbnb only if they provide documentation showing the rental is legal and meets safety standards, an imposition most are not willing to withstand. Another buyer said travelers were allowed to use it but would be reimbursed only at the same rate as if they were staying with friends or family.

Even so, expense report supplier data shows that, overall, travelers already are gravitating

toward these services. The good news is that travelers, for the most part, are doing it for the right reasons. They’re not booking Airbnb to stay in a posh mansion or Uber to ride in top-line vehicles. They’re doing it to save money.

As such, it is clear that these platforms will be more integrated in the travel buying process in the future. Some of its suppliers currently are more willing than others to craft solutions that will be palatable to buyers, so buyers should become a part of those conversations now.

At the same time, traditional suppliers likely will meld into these formats as well. Chauffeured car suppliers and some taxi companies are exploring methods to provide on-demand service in competition with Uber, and some hotels and serviced apartment companies are working with Airbnb to use its platform.

### Shop ‘til It Drops

Price-shopping technology is another emerging disruptor, albeit one buyers are embracing more quickly. Already, travel buyers are adopting and travel management companies are integrating such tools as Yapta, which monitors airfares and hotel rates for price drops, and tripBAM, which can watch a hotel and surrounding similar properties to continuously search for the lowest average daily rate.

In terms of travel buying, this technology not only gives buyers more data on the strength of their negotiated rates and discounts but also allows them to be more strategic in determining where to focus their negotiating energy. Protracted hotel negoti-

Protracted hotel negotiations in a secondary market, for example, might not be worth the time if a buyer can cover it with a broader dynamic discount and then rely on price-monitoring technology to find further savings.



## THE FUTURE OF BUSINESS TRAVEL BUYING

ations in a secondary market, for example, might not be worth the time if a buyer can simply cover it with a broader dynamic discount and then rely on price-monitoring technology to find further savings when available. As a bonus, travelers prone to shop on their own can be converted to in-system bookings when such tools are used in-house or through the agency. Travelers might be discouraged from spending much time shopping altogether if they become aware that an automated system is doing the same work for them.

### Traveler Centricity

Today, buyers often buy travel independently of business objectives. Improving data and analytical capabilities, however, will allow buyers in the future to view travel as a core function of how to get business done.

“We need to collect information on travelers, research why they travel and design the program around that. This could involve diversifying policies and processes and unbundling their program to rebuild around that.”

In the meantime, they should be talking to budget owners and stakeholders in their companies about what exactly they wish to accomplish by traveling and whether the current travel program helps or hinders them in that.

Take lowest logical airfare, for example, which at times can run completely contrary to logic. Besides possibly forcing travelers into inconvenient flight times or an airport that can add stress or cost to a trip, this policy could become even more problematic as more buyers embrace premium economy cabins as a

compromise for travelers no longer allowed to fly in first or business class on long-haul trips.

At the point of sale, a fare on an airline might appear to be significantly cheaper than one on another airline with which the traveler has frequent flyer status. However, if that traveler is allowed to upgrade to premium economy, that could suddenly add \$100 to the original ticket cost, whereas with the second airline, the traveler could have received that upgrade for free. As such, buyers will need to get that frequent flyer information in at the point of sale. That's just one piece of data that will better inform travel buying in the future.

“We need to collect information on travelers, research why they travel and design the program around that,” one buyer said. “This could involve diversifying policies and processes and unbundling their program to rebuild around that.”

### Moving Forward

There's no question that the travel marketplace is changing quickly and dramatically, and buyers have seen purchasing changes coming for some time. New tools are emerging to cut through the market opacity, giving buyers more clarity to craft new policies and purchasing strategies, and giving them the confidence to move on information, instead of intuition. Mold breakers will have to be brave, however, and new purchasing paradigms may at first form between long-standing partners with a history of trust and collaboration—or at the behest of buyers with enough purchasing muscle to force the issue. As they forge the path, however, multitudes are likely to follow.

# BTN

BUSINESS TRAVEL NEWS

**DAVID MEYER**  
Editorial Director  
(646) 380-6246 / dmeyer@thebtngroup.com

**ELIZABETH WEST**  
Editor-in-Chief  
(646) 380-6252 / ewest@thebtngroup.com

**JAY BOEHMER**  
Editor-in-Chief, The Beat  
(646) 380-6249 / jboehmer@thebtngroup.com

**AMANDA METCALF**  
Managing Editor  
(646) 380-6248 / ametcalf@thebtngroup.com

**MICHAEL B. BAKER**  
Senior Editor, Transportation  
(646) 380-6250 / mbaker@thebtngroup.com

**JoANN DeLUNA**  
Associate Editor, Payment & Expense  
(646) 380-6268 / jdeluna@thebtngroup.com

**JULIE SICKEL**  
Associate Editor, Lodging  
(646) 380-6264 / jsickel@thebtngroup.com

## BTNGROUP

**LOUIS MAGLIARO**  
Group Publisher  
(973) 769-0028 / lmagliaro@thebtngroup.com

**ANTHONY CARNEVALE**  
Associate Publisher  
(201) 902-1976 / acarnevale@thebtngroup.com

**EDIE GARFINKLE**  
Advertising Director  
Tel: (720) 542-9371 / Fax: (805) 832-6676  
egarfinkle@thebtngroup.com

**LINDSAY STRAUB**  
Regional Sales Manager  
(646) 380-6274 / lstraub@thebtngroup.com

**MARY ANN McNULTY**  
Director, Content Solutions  
(630) 519-4510 / mmculty@thebtngroup.com

**MAX BZDYK**  
Marketing, Events and Sales Assistant  
(201) 902-1924 / mbzdyk@ntmlc.com

**MARIZA MOREIRA**  
Design Manager  
(201) 902-1965 / mmoreira@ntmlc.com

**ALICIA EVANKO-LEWIS**  
Senior Vice President Events,  
The BTN Group, Travel Weekly, PhocusWright  
(646) 380-6244 / aevanko@ntmlc.com

## THANK YOU TO OUR SPONSORS AND EXHIBITORS

**amadeus**

**American Airlines**

**AMERICAN EXPRESS** GLOBAL BUSINESS TRAVEL

**arc**

**avis budget group**

Avis  
Budget  
Zipcar  
Payless  
Apex

**BCD travel**  
travel smart. achieve more.

**BW | Best Western.**  
Hotels & Resorts

**CAREY**  
INTERNATIONAL

**Carlson Wagonlit Travel**

**globalVCard**  
travel

**cvent**

**DELTA**

**EmpireCLS**  
WORLDWIDE CHAUFFEUR SERVICES

**enterprise** **National**  
DRIVE ALLIANCE PARTNERS

**Hertz**

**HRS** CORPORATE  
The Hotel Solutions Provider

**LOEWS**

**lyft**

**MasterCard**

**OMEGA**  
WORLD TRAVEL

**Sabre**

**Southwest**  
Corporate Travel

**starwood**  
Hotels and

**travel and transport**

**UNITED**  
A STAR ALLIANCE MEMBER

**WYNDHAM**  
HOTEL GROUP